

Program Term Sheet



Low and Moderate Income Rental (LMIR) and Flexible Financing for Capital Costs (FFCC)

PARAMETERS	REQUIREMENTS
Eligible Properties	Must qualify under project selection criteria for multi-unit development mortgage loans found in the Multifamily Consolidated Request for Proposal Guide . Generally, properties with less than twenty-four (24) housing units are not financially feasible.
Loan Purpose	<p>LMIR: First mortgage fixed-rate amortizing debt for multifamily rental housing affordable to low- and moderate-income households. Available for new construction of rental housing and/or to help stabilize existing properties.</p> <p>FFCC: Deferred loans at low or no interest only in conjunction with LMIR first mortgage loans.</p>
Funding Sources	<p>LMIR</p> <ul style="list-style-type: none"> Housing Investment Fund: Agency generated non-federally tainted resource targeting: <ul style="list-style-type: none"> New construction or acquisition/rehabilitation of family and workforce housing developments when combined with Housing Tax Credits. Acquisition/rehabilitation of existing housing, including developments currently federally assisted. Refinance of existing housing. Federally Tax Exempt Bond Proceeds: Minnesota Housing may issue tax exempt bonds for the acquisition and rehabilitation of existing housing or for the new construction of rental housing when the owner will seek 4% housing tax credits. <ul style="list-style-type: none"> Short-term LMIR Bridge loans may be available in conjunction with tax exempt bond proposals if needed for eligibility for tax credits. <p>FFCC is funded through the Housing Affordability Fund; an agency generated non-federally tainted resource.</p>
HUD Risk Share	LMIR loans will be insured through the HUD's Risk Sharing Program (Risk Share). HUD's insured portion will be either 50% in the Level I program or up to 90% in the Level II program. The loan will typically be insured upon construction completion, therefore Davis Bacon Federal wage requirements do not apply.
Loan Parameters	<p>Income Limits</p> <ul style="list-style-type: none"> At a minimum, 40% of the units occupied by households whose income is 60% or less of AMI or 20% of the units occupied by households at 50% or less than AMI. 25% of the units may have unrestricted incomes. The balance of units for tenants with incomes equal to or less than 100% of AMI. Developments financed with multifamily residential bonds must maintain the income and rent limits as long as the mortgage is outstanding, or 15 years, whichever is longer. <p>Rent Levels</p> <ul style="list-style-type: none"> The rent levels must be marketable based on the incomes served, but at a minimum: <ul style="list-style-type: none"> 40% of units affordable to households at 60% of income; or 20% of units affordable to households at 50% of income The balance of units with rents at Minnesota Housing determined "market". The Agency provides a priority for LMIR loans used in conjunction with Housing Tax Credits for rents that are affordable to households at the 50% level, with incomes up to 60% (to allow marketing room). <p>Refer to the LMIR and FFCC program guide for additional details and requirements.</p>

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	<p>Debt Coverage Ratio (DCR)</p> <ul style="list-style-type: none"> Minimum DCR of 1.15 - 1.25 as determined by Minnesota Housing; and Must maintain a breakeven cash flow for a minimum of 15 years on a proforma basis. <p>Maximum Loan to Cost (LTC)/Loan to Value (LTV)</p> <p>Level I HUD Risk Share - 50% insured:</p> <ul style="list-style-type: none"> New construction/substantial rehabilitation: LTC/LTV 87% of the lesser of cost (excluding developer fee) or appraised market value without rent restrictions. Where rehabilitation is less than \$15,000 per unit, LTC/LTV shall not exceed 85%. <p>Level II HUD Risk Share – Over 50% insured:</p> <ul style="list-style-type: none"> New construction/substantial rehabilitation, LTC shall not exceed 87%. For existing affordable properties, LTC shall not exceed 85%.
Return on Equity	Maximum 15% based on actual developer equity. No distributions for nonprofit owned developments, unless the non-profit is the managing general partner in a tax credit development, in which case the maximum distribution is 15% of initial equity.
Term and Amortization	30 years, fully amortizing
Borrower	Single asset entity
Recourse	All monetary obligations must be guaranteed, including operating cost shortfalls and debt service, until achievement of DCR of at least 1.15 to 1.00 for three consecutive months (based on actual collected revenue less underwritten effective gross expenses). Thereafter, all monetary obligations except principal and interest for the life of the loan.
Interest Rate	<p>The interest rate will be fixed for the full term of the LMIR loan.</p> <p>LMIR loans funded by Housing Investment Fund: For loans selected through the RFP, rates will be set prior to selection and locked for one year. The interest rate on an open pipeline LMIR loan will be locked at the time of application for 6 months.</p> <p>LMIR loans funded by Bond Proceeds: Rates are based on market rates at the time of the closing of the bond issuance plus a spread based on the size of the loan.</p>
Prepayment and Assumption	10 year lockout; Prepayment in full any time after 10 years only with agency approval. Penalties or fees may apply depending on funding source.
Cash Out	Generally not allowed
Repairs Qualifications	Construction or rehabilitation to a standard that when properly maintained, remains decent, safe, and affordable for the duration of the financing compliance period. Refer to the Building Standards page for full design/construction and related information.
Third Party Reports	Including but not limited to: appraisal, environmental, radon, market study, and physical needs assessment, as required.
Fees and Expenses	<ul style="list-style-type: none"> Application fee of \$250 Origination Fee of 2% on the first \$5 million in financing and 1% on the amount above \$5 million; minimum origination fee is \$25,000 Mortgage Insurance Premium (MIP), 0.25% for HUD Risk Share Level I, one year due at closing, then paid monthly in addition to interest on the LMIR loan. MIP is higher for Level II Risk Share Insurance. Inspection Fee of 1% of the gross construction cost Bond Issuance Fees will be charged as part of the development budget, as follows: <ul style="list-style-type: none"> \$100,000, plus 1.0% of the par amount of the long-term bonds, and if applicable 0.75% of the par amount of the short-term bonds.
Escrows	Working capital, rent-up, tax and insurance escrows, replacement reserves and residual receipts, if any.